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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1 2001 AND ENDING DECEMBER 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

FEDERAL STREET INVESTMENTS, INC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM ID. NO.

176 FEDERAL STREET 3RD FLOOR
(No. and Street)

BOSTON
(City)

MASSACHUSETTS
(state)

02110
(zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

ROGER BLUNDELL

(617) 261-2400
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Karll, Harvey CPA, P.C.
(NAME- IF INDIVIDUAL STATE LAST, FIRST, MIDDLE NAME)

41 Middle Street
(Address)

Newburyport
(City)

MA 01950-2755
(State)

(ZIP Code)

CHECK ONE:

☒ Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

PROCESSED

APR 09 2002

THOMSON P
FINANCIAL

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*Claims -for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)


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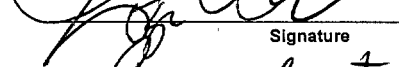
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OATH OR AFFIRMATION

I, ROGER BLUNDELL

swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FEDERAL STREET INVESTMENTS, INC., as of DECEMBER 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principle officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

 Glenn K Rosengau
Notary Public

 Signature
President
Title

This report** contains (check all applicable boxes)

☒ (a) Facing page.

☒ (b) Statement of Financial Condition

**MY COMMISSION EXPIRES
NOVEMBER 23, 2008**

- NOVEMBER 23, 2008
- X (a) Facing page.
X (b) Statement of Financial Condition.
X (c) Statement of Income (Loss).
X (d) Statement of Changes in Financial Condition.
X (e) Statement of Changes in Stockholders' Equity, or Partners' or Sole Proprietor's Capital.
X (f) Statement of Changes in Liabilities Subordinated to Claims, of Creditors.
X (g) Computation of Net Capital
X (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
X (I) Information Relating to the Possession or control Requirements under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
X (K) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
X (l) An Oath or Affirmation
(m) A copy of the SIPC Supplemental Report.
X (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

***For conditions of confidential treatment of certain portions, of this filing, see section 240.17d-5(e)(3).*



Harvey E. Karll CPA, P.C.

41 Middle Street
Newburyport, Massachusetts 01950
(978) 465-9512 Fax (978) 462-9043

INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SECTION 17A-5

To the Board of Directors
Federal Street Investments, Inc.

I have examined the financial statements of Federal Street Investments, Inc. for the year ended December 31, 2001 and have issued my report thereon dated March 18, 2002. As part of my examination, I made a study and evaluation of the Company's system of internal accounting control, which includes the procedures for safeguarding securities, to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

I also made a study of the practices and procedures followed by the Company in making periodic computations of aggregate indebtedness and net capital under rule 17a-3(a) (11) and the procedures for determining compliance with the exemptive provisions of rule 15c-13 or (ii) in Section 4(c) of regulation T of the board of governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the objectives of the SEC described in rule 17a-5(g). The objectives of a system of practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with

management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitation in any system of internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection or any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of Pacvest Associates, Inc. taken as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the commission to be adequate for its purposes in accordance with the SEC Act of 1934 and related regulations, and the practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequate for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the commission's objectives. In addition, no facts came to my attention that would indicate that conditions of the exemption for rule 15c-3-3 had not been complied with during the period.

This report is intended solely for the use of management and the SEC and should not be used for any other purpose.

March 18, 2002

Greg Hull CPA, P.C.

Federal Street Investments, Inc..

Audited Financial Statements

The Year Ended December 31, 2001

CONTENTS

INDEX

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	Page
Auditor's Report	1
Balance Sheet	2-3
Statement of Income	4-5
Statement of Cash Flows	6
Statement of Retained Earnings	7
Statement of Changes in Stockholders Equity.....	8
Notes to Financial Statements	9-10
Statement of Net Capital.....	11



Harvey E. Karll CPA, P.C.

41 Middle Street
Newburyport, Massachusetts 01950
(978) 465-9512 Fax (978) 462-9043

March 18, 2002

Federal Street Investments
176 Federal Street 3rd Floor
Boston, MA 02110

To the Stockholders:

I have audited the accompanying Balance Sheet of Federal Street Investments, Inc. as of December 31, 2001, and the related Statements of Income, Retained Earnings, Stockholder's Equity and Cash Flows for the year ended December 31, 2001. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards. These standards require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federal Street Investments, Inc. as of December 31, 2001 and the results of its operations and cash flows for the year ended December 31, 2001, in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Federal Street Investments, Inc. are presented for the purpose of additional analysis and are not required as part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

Harvey E. Karll CPA, P.C.

Federal Street Investments, Inc
Balance Sheet
December 31, 2001

Assets

Current Assets

Cash in Bank	\$	12,656.18
Commissions Receivable		42,815.70
Error Account		909.18
Prepaid Registration Fee		5,672.00

Total Current Assets		\$ 62,053.06
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Fixed Assets

Computers	\$	1,322.50
Accum Depre-Computers	(265.00)
		<u>1,057.50</u>
Office Equipment		17,499.69
Accum Depre-Office Equip	(2,501.00)
		<u>14,998.69</u>

Total Fixed Assets		16,056.19
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Other Assets

Clearing Deposits		<u>25,000.00</u>
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Total Other Assets		25,000.00
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Total Assets		\$ 103,109.25
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See Accountant's Audit Report

Federal Street Investments, Inc
Balance Sheet
December 31, 2001

Liabilities & Equity

Liabilities

Current Liabilities

Amex Payable	\$	11,118.46
Accrued Commissions		17,568.39
State Income Tax Payable		456.00

Total Current Liab.		\$	29,142.85
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Long Term Liabilities

Total Long Term Liab.			0.00
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Total Liabilities			29,142.85
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Equity

Common Stock		144,685.00
Retained Earnings	(13,539.00)
Current Earnings	(57,179.60)

Total Equity			73,966.40
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Total Liabilities & Equity		\$	103,109.25
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See Accountant's Audit Report

Federal Street Investments, Inc
Income Statement
Twelve Months Ended December 31, 2001

	Year To Date	%
Income		
Commissions Income	\$ 246,739.34	100.0
Total Income	<u>246,739.34</u>	100.0
Selling & Administrative Exp.		
(See Schedule A)	303,464.36	123.0
Net Income/ (Loss)		
From Operations	(56,725.02)	-23.0
Other Income		
Interest Income	<u>1.42</u>	0.0
Total Other Income	<u>1.42</u>	0.0
Net Income/ (Loss)		
Before Taxes	(56,723.60)	-23.0
Provision for Income Tax		
Provision for SIT	<u>456.00</u>	0.2
Total Provision for		
Income Taxes	<u>456.00</u>	0.2
Net Income (Loss)	<u><u>(\$ 57,179.60)</u></u>	-23.2

See Accountant's Audit Report

Federal Street Investments, Inc
Income Statement
Twelve Months Ended December 31, 2001

	Year To Date	%
General & Administrative Exp.		
(Schedule A)		
Salaries - Office	\$ 74,353.88	30.1
Automobile Expense	374.18	0.2
Fidelity Bond	822.00	0.3
Bank Charges	527.67	0.2
Broker Commissions	51,211.60	20.8
Clearing Cost	45,022.47	18.2
Depreciation	2,766.00	1.1
Dues & Subscriptions	25,850.50	10.5
Equipment Rental	2,358.24	1.0
Education Expense	714.75	0.3
Insurance	1,028.11	0.4
Interest	2,291.47	0.9
Fees	1,500.00	0.6
Meals	572.57	0.2
Office Expenses	4,339.76	1.8
Postage & Delivery	2,335.22	0.9
Professional Fees	10,884.36	4.4
Payroll Services	654.66	0.3
Rent	49,301.84	20.0
Recruiting	700.00	0.3
Taxes Payroll	5,436.31	2.2
Telephone	12,646.17	5.1
Travel	5,886.96	2.4
Utilities	1,885.64	0.8
Total G & A Expense	\$ 303,464.36	123.0

See Accountant's Audit Report

Federal Street Investments, Inc
Statement of Cash Flows
Twelve Months Ended December 31, 2001

Year To Date

Cash Provided from Operations

Net Income (Loss)	(\$ 57,179.60)
Adjustments	
Add:	
Depreciation	2,766.00
Amex Payable	11,118.46
Accrued Commissions	17,568.39
State Income Tax Payable	456.00
Less:	
Commissions Receivable	(42,815.70)
Error Account	(909.18)
Prepaid Registration Fee	(5,672.00)

Cash from Operations		(74,667.63)
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Cash Flows - Invested

Computers	(1,322.50)
Office Equipment	(17,499.69)
Clearing Deposits	(25,000.00)

Investing Cash Flows		(43,822.19)
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Cash Flows - Financing

Common Stock	104,685.00
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Financing Cash Flows		104,685.00
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Cash Increase (Decrease)		(13,804.82)
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Cash - Beginning of Year

Cash - Checking	26,461.00
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Total Beginning of Year		26,461.00
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Cash on Statement Date		\$ 12,656.18
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See Accountant's Audit Report

Federal Street Investments, Inc.
Statement of Retained Earnings
December 31, 2001

Beginning Retained Earnings	(\$ 13,539)
Net Income (Loss)	<u>(57,180)</u>
Ending Retained Earnings	(\$ 70,719) =====

(See Accountant's Audit Report)

Federal Street Investments, Inc.
Statement of Changes in Stockholder's Equity
December 31, 2001

Beginning Balance	\$ 40,000
Additional Capital Contributed	<u>104,685</u>
Ending Balance	\$144,685 =====

(See Accountant's Audit Report)

Federal Street Investments, Inc.
Notes to Financial Statements
December 31, 2001

1. Nature of Business

The company is in the business of selling and trading securities.

2. Summary of Significant Accounting Policies

The Company is a registered broker-dealer. All trades are cleared on a fully disclosed basis.

3. Capital Requirements

Pursuant to the Securities and Exchange Commission Uniform Net Capital Rule, the Company is required to maintain minimum net capital (\$ 5000), as defined under Rule 15c3-1. At December 31, 2001 the Company had net capital of \$ 73,966.

4. Basis of Accounting

The Company has adopted the accrual method for financial reporting and cash method for income tax reporting.

5. Commitments

The Company is obligated for office space at December 31, 2001 with rent commitments as follows:

2002	75,500
2003	44,016

Current lease expires August 7, 2003

6. Income Taxes

The company is an "S" corporation for income tax purposes. The company's profit and losses will be passed through and taxed on the shareholders personal tax returns.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(See Accountant's Audit Report)

Federal Street Investments, Inc.
Notes to Financial Statements
December 31, 2001

8. Advertising

The company's policy is to expense the cost of advertising as it is incurred.

(See Accountant's Audit Report)

Federal Street Investments, Inc
Computation of Net Capital
December 31, 2001

Net Worth	\$ 73,966
Less: Non Allowable Assets Haircuts	<u>0</u>
Net Capital	73,966
Less: Capital Requirement	<u>5000</u>
Excess Capital	\$ 68,966 =====
Aggregate Indebtedness	\$ 29,143 =====
Ration of Aggregate Indebtedness to Net Capital	0.39 to 1.0

Reconciliation of Computation of Net Capital

Net Capital - As reported in Part IIA Focus	\$ 60,516
Net Audit Adjustments	<u>13,450</u>
Net Capital, As Above	\$ 73,966 =====

(See Accountant's Audit Report)